

As gold was always available in considerable amounts in the paper-currency reserve, it was deemed prudent to put nearly the whole of the gold-standard reserve into securities, which in March, 1908, made up ;£ 14,019,700 of a total reserve of ^18,355,300 (\$89,500,000), the remainder consisting chiefly of rupees. The profit on new coinage credited during the previous year was ;£i, 127,000 and from interest on investments /3S6.800.'

It remained to put to the test the capacity of the exchange standard to meet the conditions of a crisis. The opportunity for such a test came in ^1907. The low price of jute had already affected the sale of Council bills In London before the crash came in New York in October. In September came an additional menace in the failure of a part of the wheat crop, which promised to reduce wheat exports to insignificance and prevent the usual creation of credits in favor of India. When America early in November "fell upon the world's supply of gold with all the insistence of panic/' and the discount rate at the Bank of England was put up to seven per cent., the sale of Council bills became for the moment impossible and it was necessary to look about for other means of meeting demands upon the Indian Government in London. Exchange fell as low as I5{- pence, or a discount of nearly two per cent.<sup>2</sup>

It was not the local needs of India which led at this time to pressure upon the exchange funds, but the discovery in London that India had a gold stock which might be laid under contribution for the needs of the harassed Western world. Inquiries were made whether sovereigns would be paid for rupees in India at the legal parity, with the avowed object of shipping the gold. After deliberation, the government declined to furnish gold at par in larger amounts than ^10,000 to any individual on any one day. On November 25, 1907, however, the government released ;£i,000,000 of its gold held in London, and in December , £1,500,000 more. It was also decided, after exchange recovered, that if it again

<sup>1</sup> Supplement to the *Gazette of India* ^ March 21, 1908, 754. <sup>2</sup> *Ibid.*, 709.